

HIGHER EDUCATION

To provide for students' timely and successful completion of a degree or certificate and to meet the needs of increasingly diverse students, recent budgets have invested in the public higher education segments—the California Community Colleges (CCC), the California State University (CSU), and the University of California (UC). The state has also provided financial aid to students to defray the costs of attending college. The Administration has challenged leaders across the segments to bridge the transition between K-12 and higher education to move more students into college-level courses faster, integrate technology in new ways to improve learning, and expand the availability of online courses to create new pathways to degrees. Continued focus on these initiatives will help maintain affordability and help students earn degrees and credentials in a timely way—allowing them to enter the workforce with the skills they need to be successful.

INVESTMENTS IN STUDENT SUCCESS

The May Revision continues the Administration's investment in student success, including total funding of \$30 billion (\$17 billion General Fund and local property tax and \$13 billion other funds) for all higher education entities.

A steady growth in discretionary funding and targeted state initiatives have allowed each segment to focus on improving student outcomes. For example, a focus on more effective basic skills programs will better prepare students for college-level courses, improving the likelihood of timely completion. Notably, the state invested \$60 million in

one-time Proposition 98 General Fund for the CCC to enhance basic skills programs in last year's budget and the Governor's Budget continues this targeted investment, proposing another \$30 million in ongoing funds. Completion at the universities—especially for low-income and underrepresented students—has also been an important focus. The CSU has made efforts to improve graduation rates and the May Revision calls on the University to chart a more ambitious path forward.

CALIFORNIA COMMUNITY COLLEGES

The Governor's Budget reaffirmed the expectation that segments could do more to broaden access to, and reduce the costs of, high-quality higher education by better integrating technology into instruction. To this end, the Governor's Budget proposed \$5 million Proposition 98 General Fund to support the creation of zero-textbook-cost degrees, certificates, and credentials and articulated the expectation that community college districts make these degrees available through an online clearinghouse of effective practices to encourage their adoption across all community college campuses.

The May Revision continues investments in technology within the CCC. Over the past several years, the CCC has worked to expand student access to more online courses. Currently, there are over 11,000 online courses that have been developed and are available throughout California. However, in 2016-17 fewer than 100 of these will be available through the Community College online course exchange, which allows students who are unable to enroll in an impacted course on their home campus to enroll in online courses at other community colleges. The May Revision includes \$20 million one-time Proposition 98 General Fund with the expectation that CCCs, through the online course exchange, will expand student access to online courses that can be counted towards their degrees.

Successful implementation of these efforts requires a strong and reliable technological infrastructure. In recognition of this, the May Revision also includes \$5 million ongoing Proposition 98 General Fund and \$7 million one-time Proposition 98 General Fund to support the Telecommunications and Technology Infrastructure Program, which will expand broadband capacity across campuses to ensure appropriate internet access is available for students, faculty, and community college administrators.

The Administration expects these efforts will improve student access to online courses, reduce student costs, and further the goal of timely completion.

CALIFORNIA STATE UNIVERSITY

The Governor's Budget expressed the urgent need to dramatically improve outcomes for CSU students. Of the students who started as freshmen in fall 2011 and enrolled in twelve or more units in their first term, 19 percent graduated within four years.

(The average four-year graduation rate across universities to whom the CSU compares itself for compensation purposes is 25 percent.) The outcomes for those who are eligible for federal Pell Grants are even lower. 12 percent of Pell-eligible students graduate within four years, whereas 25 percent of their non-Pell-eligible peers graduate within that timeframe.

NEW GOALS FOR CSU

In January 2015, the CSU Chancellor announced a new Graduation Initiative 2025, which set several systemwide targets for graduation rates to be achieved by 2025. These included a four-year graduation rate of 24 percent, a two-year transfer graduation rate of 35 percent, and a gap in the graduation rates of Pell-eligible students and non-Pell-eligible students of no greater than 5 percent. More recently, the Chancellor announced a goal of closing the achievement gap, but did not provide a timeline for doing so. The Chancellor's Office has indicated that University leaders will meet this summer to revise these goals.

The Administration views these initiatives as an opportunity for CSU to articulate more ambitious goals that would improve student success. These kinds of changes will require new ways of thinking about the roles of the state, the CSU Board of Trustees, the system office, and the campuses, and they will require CSU to depart from past practices.

To support these goals, the May Revision includes one-time \$25 million General Fund (redirected from Middle Class Scholarship Program savings in 2015-16). The release of these funds would be contingent upon the Trustees articulating clear, coherent plans for the University as a whole and for each campus, that indicate the timeframe by which the system and campuses will (1) increase four-year graduation rates and two-year transfer graduation rates to at least the rates of other institutions and (2) increase the graduation rates for Pell-eligible students to at least the rates of their non-Pell-eligible peers.

The Chancellor would present these plans for approval by the Trustees no later than their September 2016 meeting. This will provide time for campus presidents, faculty and students to provide suggestions. Thereafter, the Trustees would report to the Administration and the Legislature, at least annually, on implementation of these plans and progress toward these goals.

EXPANDING EXISTING CAMPUS SUCCESSSES

Many campus leaders are finding ways to improve outcomes for all students, and for Pell-eligible students in particular. The Administration believes the practices described below should be integrated into campus plans statewide to improve graduation rates.

EDUCATIONAL PLANS

To help students find a path toward their degrees in a timely way, campuses should assist students immediately upon matriculation. All freshman entrants should be advised based on four-year plans, and transfer students should be advised based on two-year plans—and campuses should allocate resources to make those plans possible. Some campuses have been exploring new electronic advising tools to help students stay on track with their plans. Students at all campuses should have access to these tools to help them plan and better navigate course selection. In addition, the availability of online courses can help students make progress toward completion of their programs.

USE OF TECHNOLOGY TO IMPROVE LEARNING

Recent CSU experience demonstrates that redesigning courses to improve the quality of instruction can improve student learning. In many cases, that is because technology allows students to participate more directly in courses, makes more engaging content available, and enables students to acquire instructional materials they would otherwise be unable to afford. The state established the California Open Education Resources Council, comprised of faculty leaders across segments, to collect open educational resources for at least 50 common lower-division courses. The California Open Online Library for Education now houses those materials. The Chancellor should encourage the use of these resources by providing faculty and lecturers who teach with open educational resources support in using the materials. The Chancellor should also target state funds being allocated for course redesign to those courses that use open educational resources.

POLICY REFORM

Campus leaders need the flexibility to innovate. The Chancellor should thoroughly review system policies—including funding allocations—to ensure they align with graduation goals endorsed by the Board of Trustees. In the meantime, the Chancellor should establish an expedited process that will allow campus leaders to seek exemptions to existing policies if those leaders provide a reasonable case that the changes would improve student success.

STUDENT SUCCESS NETWORK

Many campus leaders cite a need for better ways to learn from the successes and challenges that their colleagues at other campuses experience, and to have deeper conversations that are grounded in thorough analysis and research. The May Revision includes \$1.1 million General Fund on an ongoing basis to support the CSU Student Success Network, which would be led by faculty, staff, and administrators from across the system committed to exploring new ways to improve outcomes for students and spreading effective practices more broadly. In support of this peer-to-peer approach, the funds would be administered by the Education Insights Center at CSU Sacramento.

UNIVERSITY OF CALIFORNIA

The Governor's Budget continues the Administration's multi-year funding plan for the University, consistent with the agreement between the Governor and the UC President. The Administration is monitoring progress against the agreed-upon timeframes for the components of the agreement, and the May Revision provides updates on major activities.

PROGRESS ON THE 2015 AGREEMENT

As part of the agreement between the Governor and the UC President, UC is undertaking several new initiatives to improve transfer from the community colleges, pathways to a three-year degree, use of technology and data, and long-term financial sustainability. The 2015 Budget Act also added expectations related to enrollment. The following are recent milestones in that agreement:

- **Undergraduate Enrollment**—The 2015 Budget Act articulated the state's expectation for UC to enroll 5,000 more resident undergraduate students by 2016-17—compared to the number of resident undergraduate students enrolled in 2014-15—and made an additional \$25 million General Fund available upon demonstration that it would meet the expectation. The President reported in April that the number of resident undergraduate students enrolled in 2016-17 will be at least 180,034—5,000 more than the number of resident undergraduate students enrolled in 2014-15. The May Revision, therefore, includes \$25 million General Fund on an ongoing basis.
- **Retirement Program**—The 2015 Budget Act also appropriated \$96 million General Fund to UC, contingent upon the Regents adopting a retirement program that limits pensionable compensation consistent with the limits specified in the

Public Employees' Pension Reform Act of 2013 (PEPRA). These funds count as debt payments under Proposition 2. At the board's meeting in March 2016, the Regents approved a retirement program that limits pensionable compensation consistent with the limits specified in PEPRA. The May Revision includes \$171 million in 2016-17 for the same purpose.

- **Community College Transfer**—In March 2016, UC announced additional community college transfer pathways—which articulate the set of courses students can take to prepare for transfer into a particular major at any UC campus. There are now 21 such pathways. The agreement also expects campuses to begin enrolling at least one new transfer student for every two new freshmen they enroll by the 2017-18 academic year. To achieve the enrollment growth described above, all campuses would increase the number of transfer students enrolled. Based on information provided by the UC, four campuses will achieve the two-to-one goal in 2016-17.
- **Three-Year Degree Pathways**—To help more students achieve a degree in a timely way, each campus has articulated pathways for at least 10 majors that would allow students to graduate in three years or less. The agreement specifies that at least 5 percent of students should be on these pathways by the summer of 2017.

NEW EFFORT TO IMPROVE COLLEGE PREPARATION

California's Local Control Funding Formula identifies, as an indicator of pupil achievement, the percentage of students who meet the requirements for entrance to UC and CSU. Completion of the "a-g" subject requirements—an important component of eligibility for the public universities—remains uneven across the state. Furthermore, too many students are identified as unprepared when they enter the state's colleges and universities and are required to take courses that do not count toward their degrees. Improving achievement will require efforts not only in schools, but across the state's higher education segments.

The May Revision includes \$4 million General Fund on a one-time basis for a new A-G Success Initiative to make progress on this challenge. Scout is a UC program that provides free online classes and curriculum approved by the University to meet the "a-g" subject requirements—expanding options for schools to make college preparatory courses more accessible for all students. Scout currently offers 26 of these online classes. As part of the A-G Success Initiative, Scout would consult with schools to determine needs and add 45 more classes by January 2018.

SIGNIFICANT ADJUSTMENTS

The following are significant adjustments proposed in the Budget.

CALIFORNIA COMMUNITY COLLEGES

- CCC Apportionments—A net increase of \$12.2 million Proposition 98 General Fund to reflect a \$41.5 million increase for a revised estimate of the City College of San Francisco’s declining enrollment protection and a \$29.3 million reduction to reflect a change in the cost-of-living adjustment from 0.47 percent down to 0.00 percent.
- Increased Operating Expenses—An increase of \$75 million Proposition 98 General Fund to support increased community college operating expenses in areas such as employee benefits, facilities, professional development, converting faculty from part-time to full-time, and other general expenses.
- Apportionments Local Revenue Adjustment—An increase of up to \$38.6 million Proposition 98 General Fund in 2015-16, provided on a contingency basis, for an anticipated shortfall in redevelopment agency property taxes for community college apportionments. Related language provides a mechanism to distribute up to \$38.6 million based on a determination of property taxes reported for community colleges as of the annual principal apportionment certification in early February 2017. Any funds not needed to support the anticipated shortfall would become available for additional mandate debt payments.
- Online Education Initiative—An increase of \$20 million one-time Proposition 98 General Fund to expedite and enhance the adaptation and development of online courses that will be available through the online course exchange.
- Telecommunications and Technology Infrastructure Program—An increase of \$12 million Proposition 98 General Fund, of which \$7 million is one-time, to expand broadband capacity across community college campuses to ensure appropriate internet access is available for students, faculty, and community college administrators.
- Adult Education Technical Assistance—An increase of \$5 million Proposition 98 General Fund on a one-time basis to provide consortia with technical assistance, coordination, and capacity building assistance through the 2018-19 fiscal year.

- Equal Employment Opportunity Program—An increase of \$2.3 million Employment Opportunity Fund to promote equal employment opportunities in hiring and promotion at community college districts.
- Full-Time Student Success Funding—An increase of \$2.2 million Proposition 98 General Fund to reflect the inclusion of Cal Grant C recipients, and an increased estimate of eligible Cal Grant B students in 2016-17.
- Academic Senate Funding—An increase of \$300,000 Proposition 98 General Fund for the Academic Senate of the California Community Colleges to develop, promote, and act upon policies in support of recent statewide community college programmatic efforts and initiatives focused on student success.
- Deferred Maintenance and Instructional Equipment—A decrease of \$65.8 million Proposition 98 General Fund to reflect alternative spending priorities. This leaves \$219.4 million in one-time Proposition 98 General Fund for deferred maintenance, instructional equipment, and specified water conservation projects. These funds are intended to protect investments previously made in facilities and to improve students' experience by investing in new instructional equipment.
- Mandate Debt Payments—An increase of \$29.2 million one-time Proposition 98 General Fund to pay for outstanding mandate debt on a per full-time equivalent student basis to reduce mandate debt while providing districts with discretionary one-time funding for investments in local priorities.
- Categorical Program Cost-of-Living Adjustment—A decrease of \$1.3 million Proposition 98 General Fund to reflect a change in the cost-of-living adjustment from 0.47 percent to 0.00 percent for the Disabled Student Programs and Services program, the Extended Opportunities Programs and Services program, the Special Services for CalWORKs Recipients program, and the Child Care Tax Bailout program.
- Apprenticeship Program Rate Adjustment—A decrease of \$136,000 Proposition 98 General Fund to reflect a 0-percent cost-of-living adjustment applied to the hourly non-credit funding rate for the Community College and K-12 Apprenticeship programs.
- Proposition 39—The California Clean Energy Jobs Act was approved by voters in 2012 and increases state corporate tax revenues. For 2013-14 through 2017-18, the measure requires half of the increased revenues, up to \$550 million per year, to be used to support energy efficiency projects. The May Revision increases the

amount of energy efficiency funds available to community colleges in 2016-17 by \$4.1 million to \$49.3 million to reflect increased revenue estimates.

- Local Property Tax Adjustment—An increase of \$51.2 million Proposition 98 General Fund in 2016-17 as a result of decreased offsetting local property tax revenues.
- Student Enrollment Fee Adjustment—A decrease of \$9.8 million Proposition 98 General Fund as a result of increased offsetting student enrollment fee revenues.
- Community College Mandated Programs Block Grant—A decrease of \$134,000 Proposition 98 General Fund to align mandate block grant funding with the revised full-time equivalent student estimates.

CALIFORNIA STATE UNIVERSITY

- Funding for Graduation Plan—An increase of \$25 million General Fund (from Middle Class Scholarship savings) on a one-time basis contingent upon the Trustees of the California State University adopting plans and timeframes for graduation rates that meet the state's expectations.
- Student Success Network—An increase of \$1.1 million General Fund ongoing for support of the CSU Student Success Network.

UNIVERSITY OF CALIFORNIA

- Funding for Enrollment Expectation—\$25 million General Fund ongoing for increased resident enrollment.
- A-G Success Initiative—An increase of \$4 million General Fund on a one-time basis for the development of high-quality, middle school and high school online classes and curriculum that satisfy the "a-g" subject requirements.

CALIFORNIA STUDENT AID COMMISSION

- Offset of Cal Grant Costs with Federal Temporary Assistance for Needy Families (TANF) Reimbursements—An increase of \$283 million in TANF reimbursements in 2016-17, which reduces the amount of General Fund needed for program costs. Combined with the TANF reimbursements included in the Governor's Budget,

the May Revision offsets \$1.1 billion in General Fund costs for Cal Grants with TANF reimbursements in 2016-17.

- Cal Grant Program Costs—A decrease of \$50.9 million General Fund in 2015-16 and \$101.6 million General Fund in 2016-17 to reflect revised cost estimates for the Cal Grant program.
- Middle Class Scholarship Program Costs—A decrease of \$33.5 million General Fund in 2015-16 to account for savings for the Middle Class Scholarship Program. The statutory appropriation is \$82 million; however, based on the number of awards offered this year, costs are not expected to exceed \$48.5 million.
- Funding for Cal Grant B Access Award Supplement—An increase of \$3.2 million College Access Tax Credit Fund in 2016-17. Combined with the funds included in the Governor's Budget, the May Revision includes a total of \$5.1 million from the College Access Tax Credit Fund, which will fund a supplemental award of \$22 for each student who receives a Cal Grant B Access Award.
- Loan Assumption Program Costs—A decrease of \$2.1 million General Fund in 2015-16 and \$2.4 million General Fund in 2016-17 to reflect revised estimates of costs for the Assumption Program of Loans for Education, the Graduation Assumption Program of Loans for Education, and the State Nursing Assumption Program of Loans for Education.
- Support for Existing Grant Delivery System—An increase of \$2 million General Fund (\$0.5 million ongoing) for upgrades to the existing Grant Delivery System identified in a recent security audit. The Commission is expected to reallocate resources to address any remaining issues.
- Support for Grant Delivery System Procurement Project Planning—A one-time increase of \$396,000 General Fund for planning for the procurement of a new Grant Delivery System.

CALIFORNIA STATE LIBRARY

- Improve Services—An increase of \$505,000 General Fund for services, including publications, database subscriptions, and other resources.
- Increases in Facilities Rent—An increase of \$56,000 General Fund for increases in rent for its facility in Sacramento.